



LOS ANGELES COUNTY  
WELFARE TO WORK BULLETIN

NUMBER: W99-13      SUBJECT: **Allowable Costs**

DATE: December 30, 1999      EFFECTIVE DATE: Immediately      PAGE 1 of 2

TO: ALL WELFARE-TO-WORK SERVICE PROVIDERS

The purpose of this bulletin is to provide updated information regarding allowable costs. Attached, please find Directive WD99-8, **Allowable Costs**, issued by the Employment Development Department.

According to the Directive, the State and the County require that WtW agencies use the following definitions:

Community Service means positions with public or private non-profit employers. Participants in community service positions funded through the WtW Grant program are considered temporary employees, will apply for work and be subject to hiring and termination by the employer, and will be expected to perform work for the benefit of the employer. The activity must comply with the anti-displacement provisions contained in State law. Note: Los Angeles County SDA is currently holding the Community Services activity in abeyance (Reference: Los Angeles County PIC/SDA WtW Implementation Plan, December 1, 1998) until such time as DPSS finalizes the definition of this same activity for CalWORKs TANF recipients. You will be updated via County Bulletin regarding the status of this activity.

Job Placement means subsidized or unsubsidized employment with a public or private employer, through vouchers or contracts with public or private providers. Job placement includes, but is not limited to assessing skills, identifying ranges of occupations available in the local labor market, and developing jobs.

Job search and job readiness assistance means providing the recipient with training to learn job seeking and interviewing skills, to understand employer expectations, and learn skills designed to enhance an individual's capacity to move toward self-sufficiency (Welfare and Institutions Code Section 11322.6(n)).

On-the-Job Training is employment by an employer in the public or private sector. A portion of the wages paid by the employer are reimbursed to cover the employer's expense in training the individual.

Other supportive services means individual and family counseling, materials for individuals with disabilities, job coaches, dependent care, meals, financial counseling, and other reasonable expenses required for job readiness or employment activities.

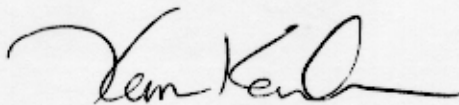
Work Experience can be with public or private employers. Participants in work experience positions funded through the WtW Grant program are considered temporary employees, will apply for the work and be subject to hiring and termination by the employer, and will be expected to perform work for the benefit of the employer. The activity must comply with the anti-displacement provisions contained in State law.

The WtW regulations Section 645.235(b)(5) adopts the description of the term "Administrative Costs" found in the JTPA regulations as Title 20 CFR Section 627.440(d)(5).

The WtW regulations Section 645.300(b)(1)(I) indicates that the use of federal funds is prohibited for the construction or purchase of facilities or buildings except where there is explicit statutory authority permitting it. There is no statutory authority authorizing such expenditures for the WtW program. The direct cost for the construction or purchase of facilities or buildings is not an allowable WtW expense. These costs cannot be used for matching requirements and donations of same are not acceptable third party in-kind contributions.

Under JTPA, the State had the authority to specify the allowability of certain items of costs. Among those were leasehold improvements. OMB circulars, which govern the WtW program, only permit rearrangement and alteration costs. Unlike leasehold improvements, rearrangement and alteration costs do not increase the value of the property nor extend the life of the property.

If you have any questions, please contact Robert Brief at (213) 351-8922.



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Kenneth Kessler, Director  
Employment and Training

Enclosures



# DIRECTIVE

## WELFARE-TO-WORK

Number: WD99-8

Date: September 21, 1999  
69:75:va:2992

TO: SERVICE DELIVERY AREA ADMINISTRATORS  
PRIVATE INDUSTRY COUNCIL CHAIRPERSONS  
WELFARE-TO-WORK 15 PERCENT SUBGRANTEES  
DOL WELFARE-TO-WORK 25 PERCENT SUBGRANTEES  
COUNTY WELFARE DEPARTMENT DIRECTORS  
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES  
EDD EXECUTIVE STAFF  
WORKFORCE DEVELOPMENT BRANCH STAFF

SUBJECT: ALLOWABLE COSTS

### EXECUTIVE SUMMARY:

#### Purpose:

This directive provides state and federal guidance regarding the allowability of costs for the Welfare-to-Work (WtW) Grant program.

#### Scope:

This directive requires that entities receiving WtW grant funds shall comply with federal and state cost guidelines. These entities include Service Delivery Areas (SDA) that receive formula funds and their subrecipients, and 15 Percent subgrantees and their subgrantees.

#### Effective Date:

This directive is effective upon release.

### REFERENCES:

- Title 20 Code of Federal Regulations (CFR) Section 627.440(d)(5), Job Training Partnership Act (JTPA)
- Title 20 CFR Sections 654.230, 645.230, 645.235, and 645.300(b)(1), Welfare-to-Work Grants Interim Rule
- Title 29 CFR Part 95.27
- Title 29 CFR Part 97.22
- Office of Management and Budget (OMB) Circulars A-21, A-87, and A-122
- Title 48 CFR Part 31, Contract Cost Principles and Procedures
- Department of Labor (DOL), WtW Financial Management Technical Assistance Guide (1999)
- Welfare and Institutions Code Section 11322.6(n)

**STATE-IMPOSED REQUIREMENTS:**

This directive contains some State-imposed requirements. These requirements are indicated by **bold**, *italic* type.

**FILING INSTRUCTIONS:**

This directive finalizes Draft Directive WDD-9, issued for comment on July 19, 1999. Retain this directive until further notice.

**BACKGROUND:**

The WtW Grants Interim Rule, Title 20 CFR Section 645.230, provides guidance regarding cost principles and allowable costs and refers subrecipients and subgrantees to additional regulatory documents. The OMB circulars provide guidance according to the type of organization, and the guidance may vary from one circular to another. Governmental entities are bound by OMB Circular A-87, nonprofit organizations by OMB Circular A-122, educational institutions by OMB Circular A-21, and for-profit organizations by Title 48 CFR Part 31.

**POLICY AND PROCEDURES:**

The OMB circulars list selected items of cost identifying allowable and unallowable costs. Certain items are allowable only if approval is granted prior to the purchase. The WtW regulations Section 645.230 assigns the authority for granting prior approval for those selected items of cost to the Governor. Entities should refer to the appropriate OMB circular to identify selected items of cost of interest to them. ***Please submit your request for prior approval in writing to:***

WtW Program Manager  
Job Training Partnership Division, MIC 69-1  
Employment Development Department  
P.O. Box 826880  
Sacramento, CA 94280-0001

The WtW regulations Section 645.220 lists the allowable activities. This list provides a number of activities without detail. The State requires that WtW entities use the following definitions for the program:

***Community Service means positions with public or private non-profit employers. Participants in community service positions funded through the WtW Grant program are considered temporary employees, will apply for the work and be subject to hiring and termination by the employer, and will be expected to perform work for the benefit of the employer. The activity must comply with the anti-displacement provisions contained in State law.***

***Job Placement means subsidized or unsubsidized employment with a public or private employer, through vouchers or contracts with public or private providers. Job placement includes, but is not limited to assessing skills, identifying ranges of occupations available in the local labor market, and developing jobs.***

Job search and job readiness assistance means providing the recipient with training to learn job seeking and interviewing skills, to understand employer expectations, and



learn skills designed to enhance an individual's capacity to move toward self-sufficiency (Welfare and Institutions Code Section 11322.6(n)).

***On-the-Job Training is employment by an employer in the public or private sector. A portion of the wages paid by the employer are reimbursed to cover the employer's expense in training the individual.***

***Other supportive services means individual and family counseling, materials for individuals with disabilities, job coaches, dependent care, meals, financial counseling, and other reasonable expenses required for job readiness or employment activities.***

***Work Experience can be with public or private employers. Participants in work experience positions funded through the WtW Grant program are considered temporary employees, will apply for the work and be subject to hiring and termination by the employer, and will be expected to perform work for the benefit of the employer. The activity must comply with the anti-displacement provisions contained in State law.***

For ease of operation, the WtW regulations Section 645.235(b)(5) adopts the description of the term "Administrative Costs" found in the JTPA regulations at Title 20 CFR Section 627.440(d)(5).

The WtW regulations Section 645.300(b)(1)(i) indicates that the use of federal funds is prohibited for the construction or purchase of facilities or buildings except where there is explicit statutory authority permitting it. There is no statutory authority authorizing such expenditures for the WtW program. The direct cost for the construction or purchase of facilities or buildings is not an allowable WtW expense. These costs cannot be used for matching requirements and donations of same are not acceptable third party in-kind contributions.

***The SDAs must be sure to note the differences between costs allowable under JTPA and those allowable under WtW.*** The JTPA grants the State authority to specify the allowability of certain items of costs. Among those costs were leasehold improvements. The OMB circulars, which govern the WtW program, only permit rearrangement and alteration costs. Unlike leasehold improvements, rearrangement and alteration costs do not increase the value of the property nor extend the life of the property.

**ACTION:**

Bring this directive to the attention of all affected staff, subrecipients, and subgrantees.

**INQUIRIES:**

Please direct inquiries about this directive to your assigned program manager at (916) 654-7799 or Jean Cole of the Policy Unit at (916) 654-8284.

/S/ BILL BURKE  
Assistant Deputy Director